

SECTION 150: OVERVIEW OF THE ACCOUNTING ACTIVITIES  
IN THE CENTRAL ACCOUNTING SYSTEM

1. General Description. This section presents an overview of the State's central accounting system as established by the Comptroller in order to perform his budgetary control accounting function. The overview includes a general description of the accounting activities in the central accounting system, and the organization of these activities as documented in this volume.
2. Accounting Activities. For the purpose of describing the central accounting system's activities in this section and in succeeding sections of this volume, the accounting activities can be divided into two major categories -- receipts and expenditures -- as follows:
  - (a) Receipts. This activity involves the maintenance of a properly classified record by DAGS Accounting Division of all estimates of receipts and of all actual realizations, and this activity provides comparative and other financial information from the records maintained.
  - (b) Expenditures. The expenditure activity in DAGS Accounting Division involves the assurance of legal compliance with regard to expenditures, the maintenance of expenditure-related records, and the preparation of financial information from the records maintained. The expenditures activity may be further divided for the purpose of this description, into the appropriations/allotments, encumbrances, expenditures, and disbursements activities.
    - (1) Appropriations/Allotments. This budget-related activity basically involves the maintenance of records of appropriations and allotments. Appropriations are authorizations granted mainly by the State Legislature to make expenditures and to incur obligations (encumbrances), generally within limitations as to purpose, time, and amount. Appropriations usually can be changed only by legislative action. Allotments are divisions of an appropriation by the Executive branch, and they further prescribe the limitations under which an appropriation may be encumbered or expended. This accounting activity also provides the status of appropriations and allotments and other financial information from the records maintained.
    - (2) Encumbrances. This activity involves the maintenance of records of obligations in the form of purchase orders, contracts, and other such commitments and provides the status of encumbrances and other financial information from the records maintained. As encumbrances are approved, necessary amounts of allotments are reserved for eventual payment; encumbrances become expenditures when they are liquidated.

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- (3) Expenditures. This activity involves the pre-auditing of all proposed payments, the maintenance of records of all expenditures incurred (when the goods or services are received and the vouchers are registered for payment), and the preparation of financial information from the records maintained.
  - (4) Disbursements. This activity, which is a result of the expenditures activity, involves the control, issuance and payment of warrants, and the maintenance of records relating to the preparation, adjustments, and reconciliation of warrants issued against the State Treasury.
3. Organization of Accounting Activities. Each of the accounting activities covered in the subsequent parts of this volume is generally organized by the broad information area and procedures associated with the budgetary control accounting function. The accounting activities, as described in this volume, present those procedures that are generally applicable to the various types of funds in the central accounting system. Fund exceptions are specifically identified.
- (a) General Information. This area includes the general description, overview, terminology, types and classifications, flowcharts, and other general information required to understand the procedures that follow. This area briefly describes the State's budgetary process, which is primarily under the authority of the Department of Budget and Finance (B&F). The budgetary process generally entails the preparation, adoption, and execution of the State's biennium budget. This volume covers those accounting-related procedures resulting from the execution of the budget.
  - (b) Procedures Associated with the Budgetary Control Accounting Function. The processing procedures commonly associated with the budgetary control accounting function include the recording of budgetary, actual, and adjustment transactions in the central accounting records, and the reporting of accounting information based on the records.
- (1) Procedures Associated with Budget-Related Accounting Transactions. DAGS Accounting Division is responsible for recording budget-related transactions from the receipts (for estimated receipts), appropriations, and allotments activities in the central accounting system. This area includes the instructions for the estimated receipts and appropriation State accounting forms which are prepared by DAGS Accounting Division, as well as the instructions for the departments and agencies in preparing the allotment accounting forms.

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- (2) Processing Procedures for Actual Accounting Transactions. DAGS Accounting Division is responsible for recording actual transactions from the receipts (resulting from collecting and depositing), encumbrances (for contract and claims encumbrances), expenditures, and disbursements activities. This area includes the instructions for the departments and agencies in preparing the various receipts, encumbrances, and expenditures State accounting forms which become part of the central accounting records.
- (3) Other Procedures Relating to Error Corrections and Other Adjustments Transactions. This area covers the various types of adjustments made to the central accounting records and more particularly those adjustments made to the subsidiary ledgers, since these ledgers reflect accounts that should also be found in departmental accounting records. This area includes the instructions for the departments and agencies in preparing the various adjustment-type State accounting forms which become part of the central accounting records.
- (4) Recording Procedures. This area describes the accounting treatment and procedure relating to the journalizing of State accounting forms (documents of original entry) in the registers, posting of the registered information in the general ledgers, and posting of documents of original entry in the subsidiary ledgers. The various accounting records are explained in detail in Volume I of the State of Hawaii Accounting Manual.
- (5) Reporting Procedures. This area describes the reports that are prepared for the departments, agencies, and other interested parties from the central accounting records. Reports that are commonly prepared include the various types of receipts, appropriations/allotments, encumbrances, and warrants reports and the ANNUAL FINANCIAL REPORT OF THE STATE OF HAWAII.